

GSRA Day at the Capitol & Legislative Reception
Wednesday, January 29, 2014

New ERS Funding Policy – No Impact to COLAs Anticipated

At its December meeting, the Board of Trustees for the Employees Retirement System adopted a policy governing the funding of its various retirement plans. The [policy is available here](#).

The Board's goal and long-term objective is to achieve and maintain full financing of all members' benefits within a 25 year period – that is, to eliminate unfunded liabilities and maintain a 100% funded reserve. The policy establishes a framework by which employer contributions will be set to accomplish the goal and objective to raise the FY 2012 funding percentage from 73.1% to 100% within the 25 year period.

There are several reasons for the new policy, but the main one seems to be the new position that the Governmental Accounting Standards Board (GASB) has staked out with its recent Statements 67 and 68. GASB has definitively established how public pension entities must report their financial status, but has backed away from defining how public entities should fund the pensions. GSRA was told that with GASB standards no longer defining how the annual required contribution (ARC) is to be computed, current law which references former standards will need to be amended to reflect the use of accepted actuarial standards and ERS policy.

GSRA considers the objective to be welcome news in the light of the 14-year steady decrease of around 30% in the pension fund's funding percentage, even while the General Assembly was appropriating the annual required contribution (ARC) rate as determined by ERS's actuary.

The policy establishes overall system objectives, benchmarks for measuring progress in achieving the objectives, and methods and assumptions to be used in developing the benchmarks. Among the objectives, the

policy reduces the period for amortizing unfunded liabilities from 30 years to 25 years. In addition, the investment income smoothing period is reduced to 5 years from the current 7-year period. The reduced period increases the impact of a major spike in earnings or losses during the year after it occurs – and for four subsequent years – and it decreases the length of time that the spike would have on projections from seven years to five years. Overall, it is expected that the policy will promote relative stability (reduce volatility) of year-to-year contribution requirements.

Although the appropriate assumed earnings rate for pension funds has been hotly debated and Moody's recommendation is for a lower rate (often quoted as 5.5%), the ERS policy provides for continuing an assumed earnings rate of 7.5% in projecting future returns on investment. ERS and the actuaries have determined that the higher rate is reasonable because long-term returns for all systems have exceeded 7.5% (8% actually) for the last three decades as well as for three of the past four years. It should be noted that Moody's lower investment rate recommendation is for reporting liabilities, not for calculating funding requirements.

We want to make it clear that the funding policy and its implementation are different from financial reporting methodology addressed by the GASB statements. Because of that, ERS will be preparing a different set of reports to comply with GASB. Additionally, Moody's and similar firms have established different reporting and evaluation standards that the firms may be applying separately to derive their own conclusions of the ERS's and other systems' health.

We understand that ERS has obtained support from legislative and executive leadership for the full-funding objective, to include providing the requisite funding.

The policy, however, contains some language which could potentially be a concern to GSRA members. The policy reads: "...The funded ratio . . . should increase over time before adjustments for changes in benefits. ..." We wondered if this might mean that granting COLAs would be delayed until some arbitrary benchmark associated with the policy was reached. However we were told definitively that this is not the case, and adoption of the policy would not directly make the granting of COLAs more or less likely than at present. It could be possible, though, that a stronger system resulting from implementation of this policy would better facilitate the granting of COLAs. Of course, the cost of each COLA would have to be worked

into the funding projections, but that is no change from historical practices.

Overall, with market/investment gains over the last few years roughly compensating for losses in 2008-2009, ERS believes this to be an excellent time to implement the new policy.

On a final note, the Teachers Retirement System (TRS) Board of Trustees adopted a funding policy on November 20. This policy is similar to the ERS policy, but different in the amortization period and the investment return smoothing period. Additional information about the impact of the differences will be provided in a future issue of the GSRA newsletter.

DCH Audit Report Shows SHBP Financial Position Less than Previously Reported

The Department of Community Health's FY 2013 financial audit (released in November) has been reviewed. The September 2013 GSRA newsletter included an analysis of the State Health Benefit Fund financial position based upon the Department's financial report. That analysis reported a much improved financial position as of the end of FY 2013 over the three previous fiscal years. While the DCH audit report shows an improved SHBP financial position, it is not as "rosy" by approximately \$100 million as the department's report—primarily because of the method of recording revenue.

- As shown below, the Net Assets, although reported earlier as having recovered to a positive \$48.1 million, continues with a **negative \$129.7** million balance.
- The "Net Assets" balances reported in the September newsletter and below include the Incurred But Not Reported (IBNR) claim liability.
- The IBNR amount as of June 30, 2013 is shown in the audit report at \$269, 948,476 (\$224.5 million for active members and \$45.5 million for retirees); therefore, the fund continues to be \$129.7 million short of adequate reserves.

SHBP Comparative Financials (Millions) – Audit Reports

| | <i>FY 2010</i> | <i>FY 2011</i> | <i>FY 2012</i> | <i>FY 2013</i> | <i>\$ Change 2012-2013</i> |
|----------------|----------------|----------------|----------------|----------------|--------------------------------|
| Cash | \$ 39.1 | \$ 50.6 | \$ 18.0 | \$ 230.2 | \$ 212.2 |
| Net Assets | (233.8) | (183.4) | (272.5) | (129.7) | 142.8 |
| Total Revenue | 2,480.1 | 2,887.2 | 2,962.4 | 3,026.6 | 64.2 |
| Total Expense | 2,913.2 | 2,836.7 | 3,051.5 | 2,883.8 | (167.7) |
| Surplus/(Loss) | \$ (267.8) | \$ 50.7 | \$ (89.1) | \$ 142.8 | \$ 231.9 |

The bottom line for FY 2013 shows reduced benefit cost and indicates that the 2013 benefit design shifted additional health care cost to members by increased deductibles and copayments (coinsurance) and increased member premiums. DCH provided information (not reported in this article) to show that the increase in revenue by member premiums was substantially greater than the increase in revenue paid by the employers. GSRA is encouraged with the improved SHBP financials, but recognizes that most of the improved position is a result of cost shifting to members, which is continued in CY 2014.

2014 GSRA Day at the Capitol and Legislative Reception at a Glance

- Events are scheduled for Wednesday, January 29, 2014.
- GSRA Day at the Capitol - RSVP to rsvp@mygsra.com.
- Meet at 9:45 am North Wing steps for photo with Governor Deal, then distribute GSRA items and visit with legislators.
- Legislative Reception - Registration is \$37.00. [Register by credit card](#) or [print the registration form and mail it](#).
- Reception registration must be received by January 22, 2014. No on-site registration available.
- Meet at 4:45 pm Empire Room/West Floyd Tower.
- Obtain [parking](#) and [directions](#) information for the Capitol Hill area.
- Watch for and respond to the Action Alert coming soon, allowing you to invite your legislators.
- **To make these events successful, GSRA needs as many members as possible to step up and participate! Don't assume someone else will be there representing you and presenting a strong front for GSRA. Thanks!**

GREA, GPHSA and GSRA Support Restoration of Retired Military Pensions

The Georgia Retired Educators Association (GREA), the Georgia Professional Human Services Association (GPHSA) and GSRA jointly support our nation's military retirees in the quest for federal legislation to delete the action taken by Congress that reduces their retirement benefits. Our three organizations were outraged to learn that Congressional action in the federal Bipartisan Budget Act changed the provisions for already vested retirees. The newly proposed legislation by Republicans and Democrats seeks to reverse that action by eliminating the offending section in the Budget Act. This action in essence will require the federal government to continue abiding by commitments made to our service men and women as a part of their original compensation packages.

In the recent budget agreement adopted by Congress, benefits for prospective and current military retirees were changed to reduce the percent COLA increase for retirees with 20 years of military service until reaching age 62. Currently, a military person can retire at any age with 20 years of service and receive a retirement benefit that is escalated each year at the same rate as the consumer price index (CPI). The federal budget act provides for reducing the CPI escalator by 1% each year (i.e. from 3% to 2%) for working age, non-disabled retirees until age 62. At age 62,

the benefit would be recalculated and restored to the level it would have been had the benefit reduction not occurred.

Regardless of the benefit generosity, the military men and women were promised the benefit for serving the required time under great risk to their person and their families. GSRA, GPHSA and GREA support the proposed federal legislation to restore the benefit as promised. Retirees should not be subjected to reduced benefits that have been promised and on which the retiree based his/her retirement and financial condition.

An important side effect for GREA, GPHSA and GSRA members is that the Budget Act's retirement provisions are precedent setting and may encourage changes to promised benefits in other publicly supported retirement plans. The proposed legislation would eliminate this side effect. GPHSA, GSRA and GREA leadership believe that both reasons are so serious that all members should be motivated to contact their congressional representatives and senators and express their opinions. Accordingly, as our three organizations obtain more information and determine the timing to be right, we will recommend actions for you to take.

2014 Legislative Session Expected to be Brief and Benign

The 2014 legislative session will start on Jan. 13, and budget hearings will begin Jan. 15. Many knowledgeable sources have said that legislators are greatly motivated to finish rapidly, perhaps as soon as St. Patrick's Day on March 17. Among many reasons mentioned, the one which stands out the most is that the primary election will be very early this year, and incumbents cannot campaign or raise funds while in session.

That said, we know that revenues were the best they have been in years, so there will be considerable competition among programs and groups to make up for almost a decade of substantial cuts. This may have the effect of extending the session somewhat. Of greater interest, the *Atlanta Journal and Constitution* recently reported the likelihood of teachers and state employees getting raises. With TRS members getting their standard annual cost of living adjustments (COLAs), GSRA intends

to do what it can to have some of that funding come to ERS retirees in the form of COLAs as well.

No pre-filed bills directly affect retirees or employees. Only a couple of bills carried over from last year have much impact either. HB 263 would eliminate employer funding of health insurance for those employed after June 30, 2013. This bill was never brought up in committee; however, we need to watch this bill or any bill of like sentiment regarding the State Health Benefit Plan.

HB 688 would abolish the income tax for both persons and businesses and would increase the sales tax by a percentage to be determined by the General Assembly. This will result in senior citizens, including GSRA members, paying considerably more in taxes than at present. It is also probable that this action will further reduce revenues, jeopardizing required appropriations to meet retirement and health benefit obligations, as well as

making cost of living adjustments even more unlikely than for the last several years. Most of the legislators seem to be opposed to the philosophy of converting the income tax to a consumption tax. In addition, SR 72 created a Senate Fair Tax Study Committee which held hearings during the summer and fall. No report has been filed yet, but a

recommendation for a "fair tax" (or consumption tax) would have the same effect as HB 688.

Of course, expectations are one thing, and reality is another. GSRA's expanded legislative committee will closely monitor both new and carry-over bills and do what it can to ensure lawmakers make the right decisions. We will keep you informed and alert you as action is needed.

Local Chapter News

New Local Chapter Approved - South Central

The South Central Local Chapter in Dublin has been organizing for a number of months and was officially approved as a local chapter at the December GSRA Board meeting. South Central serves active and retired state employees and educators in Bleckley, Dodge, Johnson, Laurens, Treutlen, Twiggs, Wheeler and Wilkinson counties. New officers for the chapter are President Jeff Bacon, Vice-President Connie Copeland, Secretary Conyues O'Neal, Treasurer Jackie Whittle and Membership Chair Tommy Craft. All GSRA members in the area, as well as all state active and retired employees and educators, are cordially invited to join. Contact for more information is: jeffbacon431@hotmail.com.



South Central Membership Chair Tommy Craft and President Jeff Bacon with GSRA Admin Donna Buffum

Central Metro

Central Metro met on December 12th at the Toco Hills Library. Local attorney Christie Ayotte Baer discussed the Will Probate Process with a presentation entitled "Who Gets My Stuff?" Ms. Baer emphasized the importance of designating assets outside of the estate, such as IRAs, insurance policies and some bank accounts. President Sam Shepherd encouraged everyone to attend the January 29th GSRA Day at the Capitol and Legislative Reception events. Door prizes were distributed to lucky winners at the end of the meeting.



Christie Ayotte Baer addresses Central Metro Meeting

Check Your Retirement Benefit Payment Record

One of the things that the State Health Benefit Plan material asked RETIREES to do is to verify via the respective retirement system website that the correct SHBP premium payment was deducted from your retirement check. If there was no premium deducted or the incorrect amount was deducted, contact the SHBP Call Center (1-800-610-1863).

1. If additional premium is required, you should send in a check for the premium amount to the following address:

SHBP
PO Box 933385
Atlanta, GA 31193-3385

You should write a note with the check with your contact information and the number from your insurance card (it can be an old card if you have not received a new card yet) explaining that a deduction did not come out of your check. SHBP states that they will investigate to assure the premium is deducted from your next check correctly.

2. If the correct amount was not deducted from your check, SHBP will need to address the payment issue.

Teachers Have New Facebook Group for SHBP Concerns and Action

Similar to many GSRA members, as well as other active and retired state employees, who have voiced concern over the SHBP's 2014 health plan changes, teachers across the state are also expressing their concerns and frustration and now have a new vehicle for doing it. The new Facebook group for TRAGIC (Teachers Rally Against Georgia Insurance Changes) was started by a Cherokee County

teacher in early January, and within days the page grew exponentially, with thousands joining the Facebook group and hundreds contacting the Governor's Office and the Department of Community Health.

Currently, members of TRAGIC are planning a rally at the state Capitol on February 18 to demonstrate their concerns.

SHBP Insurance Identification Cards

SHBP Management reports that BlueCross BlueShield mailed 85% of the insurance cards on Monday, December 16 and the other 15% on Tuesday, December 17. If you have not yet received a card for insurance coverage, GSRA recommends that you contact the SHBP customer service section (1-800-610-1863). If you are a Medicare Advantage enrollee, contact the SHBP customer service or BlueCross BlueShield at 1-855-322-7062.

New Members in December

| Name | County | Name | County | Name | County |
|--------------------|-----------|-----------------|-----------|----------------|----------|
| John Bassett | Cobb | Jonna Koehn | (Arizona) | Jackie Thrift | Ware |
| Dudley Bowers | Forsyth | Peggy Kornegay | Floyd | Becky Tompkins | Tift |
| Warnie Courson, Jr | Ware | Ronnie Lane | Gwinnett | Ima Walters | Turner |
| Kathy Fazekas | Dougherty | Mark Lawing | Gwinnett | Ann Watson | Dekalb |
| Terry Fiquett | Muscogee | Brantley Martin | Hall | Kerry Wood | Spalding |
| Joel James | Pierce | Nelson Pittman | Ware | | |

Does GSRA Have Your Correct Contact Information?

Please be sure to update your **email address** with GSRA when it changes. Simply log in to www.mygsra.com using your old email address and password; select "Our Members" and "My Profile", and then change your information using the "edit" feature.

If your **mailing address** changes, and you do not use a computer, please notify us of your new address by sending a card or letter to the address at the bottom of this page.

Georgia State Retirees Association

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Questions About/Help with Anything GSRA

If you have questions about or need help with anything related to GSRA, contact help@mygsra.com or call 770-312-2799.

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For more information, contact:
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Membership Development Coordinator
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mbaum@apcu.com

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